

Comparison of Sections 125 & 132(f)

- **Pre-tax benefits programs are treated under two sections of tax law:**
 1. 132(f) (transportation)
 2. 125 (health care and other cafeteria plans)
- **Section 132(f) is simpler, easier to administer (fewer rules, documentation and forms) and more flexible allowing employee enrollment as often as monthly**
- **132(f) and 125 funds cannot be combined or co-mingled**

	Section 132 (f) Transportation	Section 125 Health Care
Purpose	Allow employees to reserve pre-tax income for qualified transportation (bus, train, ferry, vanpool)	Allow employees to reserve pre-tax income for benefit programs, generally health care
Enrollment Period	Determined by employer	Must be annual
Distribution of remaining pre-tax income	No "use-it-or-lose-it" provision. Funds do not generally accumulate as they are used monthly for fare media	Employee forfeits money (use-it-or-lose-it)
Employee eligibility	May be available to any employee or group of employees	Must meet non-discrimination test
Reporting requirements	No reporting requirements	Annual reporting required to IRS
Written plan	No written plan documentation required	Written plan documentation required to IRS
Cash Reimbursement	No – Transit Yes - Parking	Yes